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ABSTRACT

This two-part handbook presents information on accounting procedures for student organizations, with a focus on the laws, policies, and procedures that affect student body organizations. Part 1 contains information about: (1) legal status of a school's student body organization; (2) principles governing student body finance; (3) administration of a student body organization's financial activities; (4) establishment of a student body organization; (5) preparation and control of budgets; (6) management of income; (7) disbursement of funds; (8) equipment for activities; (9) insurance; and (10) audits of a student body organization's accounts. Part 2 contains definitions of important accounting terms and methods of accounting; an explanation of the chart of accounts, including a sample chart of accounts; and guidelines for the internal control of accounting. Appendices contain sample journals, ledger accounts, end-of-month working papers, financial statements, and bank reconciliations. (LMI)

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ACCOUNTING PROCEDURES FOR STUDENT ORGANIZATIONS

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CALIFORNIA DEPARTMENT OF EDUCATION
Bill Honig, State Superintendent of Public Instruction
Sacramento, 1992

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Accounting Procedures for Student Organizations

Prepared under the direction of the

School Business Services Division
California Department of Education

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Preface

This handbook was written to assist district superintendents, chief business officials, school principals, student body officers, support staff, and auditors as they collect, disburse, account for, and audit millions of dollars a year in student body funds. Student body organization finance is big business, but this aspect of school finance is often neglected.

This handbook focuses on the laws, policies, and procedures which affect student body organizations. The Department of Education believes that the application of the basic principles set forth in this handbook will result in administrative practices and procedures that will ensure the quality controls and accounting practices that every school district must employ to properly account for activities conducted by school-sponsored organizations.

This edition of *Accounting Procedures for Student Organizations* has some small changes from the previous edition, most notably that section which dealt with prohibited expenditures. Since there was no legal basis for these prohibitions, that section has been deleted from this edition.

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Part I
Management of a Student Body Organization's Funds

Part I of this publication contains information about (1) the legal status of a school's student body organization; (2) the principles governing student body finance; (3) administration of a student body organization's financial activities; (4) establishment of a student body organization; (5) preparation and control of budgets; (6) management of a student body organization's income; (7) disbursement of a student body organization's funds; (8) equipment for a student body organization's activities; (9) insurance for student body organizations; and (10) audits of a student body organization's accounts.

Legal Status of a Student Body Organization

The purpose and privileges of a student body organization in California are defined in the state *Education Code*, which authorizes a school district governing board to establish regulations for the conduct of student body activities. Legal authorities have generally held that a student body organization is not a political subdivision of the state and has neither the status nor the governmental immunity of a school district. A student body organization may have a nonprofit status under the provisions of the federal *Internal Revenue Code*, the state *Revenue and Taxation Code*, and the state *Bank and Corporation Law*. When this status is allowed, the organization is eligible for exemption from state and federal income taxes and from Social Security taxes; however, a waiver of the latter exemption may be made. Appropriate governmental agencies should be consulted about these exemptions.

Education Code Section 48930, which is quoted in a subsequent paragraph, points out that the governing board serves as the controlling authority for the student body fund. The fund is one of many funds under the governing board's control. Although the fund does not generate tax revenues on an income basis, it is still subject to the tax exempt status of the total school district.

In assuming the authority given by the *Education Code*, a school district governing board must adopt regulations that govern (1) the establishment of a student body organization; (2) the supervision of the organization's activities; and (3) the operation and management of the organization's finances. In forming regulations pertaining to the operation and management of finances, the board must consider current interpretation, by county counsels and the California Attorney General, of *Education Code* provisions pertaining to the handling of student body organization funds.

Recommendations that merit special consideration by the governing board in establishing regulations for a student body organization are presented throughout Part I of this publication. *Education Code* requirements that pertain to the regulation of student body organizations are identified by section number.

Purpose and Privileges of Student Body Organizations

48930. Any group of students may organize a student body association within the public schools with the approval and subject to the control and regulation of the governing board of the school district. Any such organization shall have as its purpose the conduct of activities on behalf of the students approved by the school authorities and not in conflict with the authority and responsibility of the public school officials. Any student body organization may be granted the use of school premises and properties without charge subject to such regulations as may be established by the governing board of the school district.

Authorization and Sale of Food by Student Organizations

48931. The governing board of any school district may authorize any organization composed entirely of pupils attending the schools of the district to maintain such activities as may be approved by the governing board. The governing board of any school district may authorize student organizations to sell food on school premises, subject to policy and regulations of the State Board of Education. The State Board of Education shall develop policy and regulations for the sale of food by student organizations in kindergarten and grades 1 through 12 which shall ensure optimum participation in the school district's nonprofit food service programs and shall be in consideration of all programs approved by the governing board of any school district. Such policy and regulations shall be effective January 1, 1976.

Nothing in this section shall be construed as exempting from the California Restaurant Act, food sales which are authorized pursuant to this section and which would otherwise be subject to the California Restaurant Act.

Authorization for Activities by Student Organizations: Fund-Raising

48932. The governing board of any school district may authorize any organization composed entirely of pupils attending the schools of the district to maintain such activities, including fund-raising activities, as may be approved by the governing board.

The governing board of any school district may, by resolution, authorize any student body organization to conduct fund-raising activities on school property during school hours provided that the governing board has determined that such activities will not interfere with the normal conduct of the schools.

Principles Governing Student Body Finance

The basic principles governing student body finance include the following:

1. The basic purpose of raising and expending money by a student body is to promote the general welfare, morale, and educational experiences of the student body.
2. General principles:
   a. Student body funds must be used to promote and finance a program of worthwhile cocurricular activities beyond those provided by the district.
   b. Money-raising projects must, in general, contribute to sound educational principles and must not be in conflict with the ideals of the educational program.
   c. Funds derived from the student body must be expended in a manner approved by the student governing body.
   d. Large student body reserves must be discouraged. Student body funds must, in general, be expended for the benefit of those students currently enrolled in school who have contributed in one way or another to the accumulation of such funds. If a long-range project is planned, funds may be carried and documented for this project.
   e. Prior approval by the student governing body must be obtained in the raising of revenue and the expenditure of student body funds.
   f. Student body funds must be managed in accordance with sound business practices, including adherence to accepted budget procedures.
   g. Student body business, including the raising and expending of money, must be conducted so that competition with local business firms is kept to a minimum.
   h. Although ownership of student body funds rests with the student body, the school principals, through authority delegated to them, must be responsible for the proper conduct of the student body's financial activities.
   i. Principals, acting through representatives, must participate in the preparation, modification, and interpretation of procedures, regulations, and policies affecting student body affairs.

Certain requirements concerning such matters as deposits and investments, funds for kindergarten through grade six, loans, supervision and audit of funds, and the matter of a trustee for the funds of an unorganized student body are contained in the *Education Code*:

Deposit or Investment of Student Funds

48933. (a) The funds of any student body organization established in the public schools of any school district shall, subject to approval of the governing board of the school district, be deposited or invested in one or more of the following ways:

(1) Deposits in a bank or banks whose accounts are insured by the Federal Deposit Insurance Corporation.

(2) Investment certificates or withdrawable shares in state-chartered savings and loan associations and savings accounts of federal savings and loan associations provided such associations are doing business in this state and have their accounts insured by the Federal Savings and Loan Insurance Corporation.

(3) Purchase of repurchase agreements issued by savings and loan associations or banks.

(4) Purchase of bonds, notes, bills, certificates, debentures, or any other obligations issued by the United States of America.

(5) Shares or certificates for funds received or any form of evidence of interest or indebtedness issued by any credit union in this state, organized under the provisions of Division 5 (commencing with Section 14000) of the Financial Code or the statutes of the United States relating to credit unions insured by the administrator of the National Credit Union Administration or a comparable agency as provided by a state government.

(b) The funds shall be expended subject to such procedure as may be established by the student body organization subject to the approval of each of the following three persons which shall be obtained each time before any of such funds may be expended: an employee or official of the school district designated by the governing board, the certificated employee who is the designated adviser of the particular student body organization, and a representative of the particular student body organization.

Kindergarten and Grades One Through Six Student Body Funds

48934. The funds of a student body organization established in the public schools for kindergarten and grades 1 to 6, inclusive, of any school district maintaining kindergarten and grades 1 to 6, inclusive, may be used to finance activities for noninstructional periods or to augment or to enrich the programs provided by the district.

Additional Uses of Student Funds

48936. In addition to deposit or investment pursuant to Section 48933, the funds of a student body organization may be loaned or invested in any of the following ways:

(a) Loans, with or without interest, to any student body organization established in another school of the district for a period not to exceed three years.

(b) Invest money in permanent improvements to any school district property including, but not limited to, buildings, automobile parking facilities, gymnasiums, swimming pools, stadia and playing fields, where such facilities, or portions thereof, are used for conducting student extracurricular activities or student spectator sports, or when such improvements are for the benefit of the student body. Such investment shall be made on condition that the principal amount of the investment plus a reasonable amount of interest theron shall be returned to the student body organization as provided herein. Any school district approving such an investment shall establish a special fund in which moneys derived from the rental of school district property to student body organizations shall be deposited. Moneys shall be returned to the student body organization as contemplated by this section exclusively from such special fund and only to the extent that there are moneys in such special fund. Whenever there are no outstanding obligations against the special fund, all moneys therein may be transferred to the general fund of the school district by action of the local governing board.

Two or more student body organizations of the same school district may join together in making such investments in the same manner as is authorized herein for a single student body. Nothing herein shall be construed so as to limit the discretion of the local governing board in charging rental for use of school district property by student body organizations as provided in Section 48930.

[NOTE: The district may pay directly any costs incurred in the conduct of athletic programs, including, but not limited to, costs for officials, equipment, and coaches' salaries. However, expenditures may be restricted by an opinion of local legal counsel.]

Supervision and Audit of Student Funds

48937. The governing board of any school district shall provide for the supervision of all funds raised by any student body or student organization using the name of the school.

The cost of supervision may constitute a proper charge against the funds of the district.

The governing board of a school district may also provide for a continuing audit of student body funds with school district personnel.

Trustee for Funds of Unorganized Student Body

48938. In schools or classes for adults, regional occupational centers or programs, or in elementary, continuation, or special education schools in which the student body is not organized, the governing board may appoint an employee or official to act as trustee for student body funds and to receive such funds in accordance with procedures established by the board. These funds shall be deposited in a bank or a savings and loan association, or both, approved by the board and shall be expended subject to the approval of the appointed employee or official and also subject to such procedure as may be established by the board.

The principles governing student body finance that are listed on page 2 of this publication should be adhered to by a trustee of an unorganized student body.

Administration of a Student Body Organization's Financial Activities

The administration of the financial activities of a student body organization is the responsibility of the following persons or groups of persons:

Governing Board

The school district governing board must adopt rules, regulations, and general operating policies necessary to ensure proper supervision and control of the activities of a student body organization. The board must be especially concerned with financial control. It must delegate this repsonsibility to those who recognize and employ good business methods and understand the importance of maintaining good accounting records and procedures.

Superintendent

The district superintendent must act as the general supervisor of the activities of a student body organization and must see to the implementation of the policies adopted by the district governing board.

Business Manager

The district business manager must serve as consultant in financial matters for the student body organization as a whole and for each of its parts. Further, the manager must periodically review the general financial structure of the organization and the financial control procedures prescribed.

Accountant

The district accountant must develop or assist the business manager in developing accounting procedures for recording and controlling the financial transactions of the student body organization. The accountant must periodically review procedures to make sure that they conform to the prescribed accounting procedures.

Principal

The school principal must be directly responsible for student body organization financial activities and must make sure that they conform to established policies and procedures. The principal may appoint student body advisers to make sure that the required procedures are followed.

Finance Committee

The student body organization finance committee may be made up of the school principal or his or her designee, the student body financial adviser, appointed faculty members, and elected student body officers. The committee must prepare and submit to the student council a budget for adoption and must inform the council of the requirement that the council maintain records of its actions. Finally, the committee must act in an advisory capacity regarding the management of student body organization funds.

Bookkeeper

The bookkeeper for a student body organization is normally responsible to the principal for keeping financial records, including tax reports, in accordance with established procedures.

Student Council

According to the constitution of the student body, the student council is responsible for the adoption of a budget, approval of expenditures, and authorization of fund-raising activities.

Establishment of a Student Body Organization

In the establishment of a student body organization, certain items must receive careful consideration:

Constitution

The constitution adopted by a student body organization must state the name and purpose of the organization and must present the framework within which the organization will operate. The following outline may be used in developing a constitution:

Article 1. Organization
- a. Name of organization
- b. Purpose and means of accomplishment
- c. Time, place, and frequency of meetings of officers
- d. Definition of quorum

Article 2. Membership—eligibility for membership

Article 3. Officers and elections
- a. Titles and duties of officers
- b. Election of officers
- c. Term of office
- d. Requirements for eligibility
- e. Appointment of committee

Article 4. Representatives to student council other than officers
- a. Method of selection
- b. Qualifications for eligibility
- c. Term of office

Article 5. Adult advisers—appointment by superintendent, principal, faculty, or student council

Article 6. Financial activities
- a. Budgets
- b. Revenues
- c. Disbursements
- d. Statements and reports

Article 7. Clubs within the student body organization
- a. Purposes of clubs
- b. Method of organization and discontinuance
- c. Financial activities
- d. Constitution and/or bylaws

Article 8. Amendments to constitution
- a. Method of origination
- b. Requirements for adoption

Minutes of Meetings

The student body organization and each club within the organization should keep minutes for each meeting. The minutes should include details of proceedings, including financial matters pertaining to the budget, approval of fund-raising ventures, and expenditure authorizations. The minutes might be organized as follows:

I. Introductory data
- A. Location of meeting
- B. Date and time of meeting
- C. Attendance at meeting
  1. Presiding officer
  2. Number of members present
  3. Adviser(s)
  4. Guests

II. Report of business
- A. Minutes of previous meeting
- B. Activities of standing committees or special committees
- C. Communications
- D. Old business
- E. New business

Each motion must be reported. In the report the motion must be stated, the person who made the motion and the person who seconded it must be named, and the result of voting must be given.

Organization of Clubs

To become a recognized part of the student body organization, a club must be composed entirely of students enrolled in district schools. Any group of students may apply for permission to form a club by submitting for approval to the board-designated authority a proposed charter or constitution, which must specify at least the following information: (1) the title, powers, and duties of the officers and the manner of their election; (2) the scope of proposed activities; and (3) the name of the organization. On approval of the application, an employee of the school district must be appointed to act as supervisor of the activities of the club.

Student Body Employees

Since the student body fund is controlled by the local governing board (*Education Code* Section 48930), the school district is the employer, not the student body organization. Hence, individuals hired to perform work for the student body organization function under regulations, salary schedules and benefits, and so forth that apply to all district employees. To avoid any possible conflict with the Internal Revenue Service's regulations, all salaries and other payments should be made from the district's General Fund and be reimbursed from the appropriate student body organization's fund.

The student body organization's minutes should reflect the local governing board's approval of the hiring of personnel for the student body organization. (See *Education Code* Section 48937 for further information dealing with the supervision and audit of student funds.)

Preparation and Control of a Student Body Organization's Budgets

The school district governing board must establish procedures to be followed for the preparation and control of student body organization budgets. A sample procedure follows:

Preparation of the Budget

To develop an effective budget, the finance committee must consult those individuals responsible for budget performance or for the collection and disbursement of funds and confer with students who may be in charge of fund-raising ventures. Through the efforts of these individuals, a basic plan of income and expenditures can be developed. Although it will still be necessary to make requests for budget changes, the changes can be held to a minimum if correct preparations have been made.

A preliminary budget should be prepared by the finance committee and submitted to the student governing body by May 1, giving in detail the beginning balances, estimated sources of income, and anticipated expenditures for the ensuing school year. (The budget must set forth estimated income, expenditures, and the surplus to be on hand at the end of the year.) Limits must be placed on the amounts of surplus that may be accumulated during the school year.

A final or adopted budget must be submitted to the business division in October. At that time revisions in activities must be reflected, such as those brought about by an increase or decrease in enrollment from that anticipated in May. When reviewed by the appropriate administrative unit (such as the district business office), the budget becomes the working financial document of the student body organization. Any expenditure that exceeds the amount appropriated for a budget category must have the prior approval of the student governing body. Approval is sought by requesting an increased appropriation in the appropriate budget category, not by requesting approval for the purchase of a specific item. However, increased appropriations must under no circumstances exceed anticipated income.

In establishing revenue and expenditure estimates, it is difficult to anticipate all activities that will take place in a given year. A simple method of projection is to relate past performance to what is planned for the future; that is, to estimate the next year's receipts and expenditures by relating them to the current ones. Once the basis of comparison is established, the budget amount can be determined. Although the amount should be adequate, overbudgeting must be avoided; it may eliminate an allocation to some other function. A conservative estimate is appropriate for revenue because it is doubtful that every event will be a financial success. Revenue must be anticipated realistically; allowance must be made for possible losses.

Control of the Budget

The budget adopted by the student governing body must be the financial plan of operation for a particular period of time. Students, advisers, administrators, and board members must know how the plan compares with what is actually taking place. One of the most effective means of making this comparison is through periodic statements that show the budget as adopted, the revisions to both revenue and expenditures, and the amounts receivable or unexpended. These statements must be submitted at least each quarter to the district business office and to other interested parties.

The budget must be flexible enough for the organization to accomplish its goals. Approval must be obtained from the student governing body before the budget is amended so that the district administration and board can be made aware of material changes to a different type of function and of changes in the scope of existing functions.

Management of a Student Body Organization's Income

The income of a student body organization is subject to the accepted means of control described as follows:

Collections and Verifications

All money collected from any source must be substantiated by:

1. Prenumbered student body receipts
2. Prenumbered auxiliary receipts
3. Prenumbered class receipt records
4. Cash registers supplying cumulative readings
5. Prenumbered tickets
6. Other auditable records

Prenumbered stationery (tickets and so forth) must not be printed in the school printing department. All forms must be controlled through a central office. Whenever tickets are used, ticket reports and unsold tickets must be available for audit. The audit trail is most important. Whenever possible, money must be collected in a central office. Collections must be deposited daily and must never be left in the school over weekends or holidays. Bank deposit slips must be prepared in duplicate, an original for the bank and a duplicate signed by the bank teller for the student body activity accounting records. Immediately on receipt, all checks deposited in the student activity bank account must be endorsed with a rubber stamp showing a restrictive endorsement.

Overages and Shortages

Overages and shortages must be reported to the principal or other responsible administrator. The loss of tickets must be regarded in the same manner as the loss of cash. Sales must be reported as the total rung on the register adjusted by over-rings or under-rings. Tickets or tapes supporting over-rings and under-rings must be retained. Daily overages or shortages must be reported with as much detail as possible; that is, overages or shortages must not be netted or offset.

Fund-Raising Activities

Each plan for the raising of student body organization funds must be approved by the student council and the school principal. The plan must include a recommended method of establishing financial accountability. The raising of funds must have but one basic end in view—to promote the general welfare and morale of the students as a whole. Fund-raising efforts must be scheduled carefully to avoid conflict with other departments or organizations and must result in minimum interference with the school's educational program.

Student Store

The transactions of the student store must be recorded in the journals and ledgers of the student body organization as a general student body account and must be subjected to the same accounting used for other transactions. Prior student council approval must be required for purchases within the context of governing board policy, administrative regulations, and approved business office procedures. (The council may authorize expenditures not to exceed a stated amount for a period of not more than one month.) Before payment is made, a purchase order must be prepared, an invoice received from the vendor, and a receiving report completed.

Receipts of money must be recorded on a cash register or on a hand receipt. The cash register tape must be machine-totaled. Daily cash register tapes and hand receipts must be turned over to the bookkeeper together with the cash from sales. The bookkeeper for the student body organization counts the cash in the presence of the student store representative and renders a receipt. The total of the cash register tapes plus hand receipts for sales are credited to student store sales, and the cash is debited to the checking account. Any difference between the amount of cash received and the total of the cash register tapes plus the hand receipts is posted to the cash account as a journal entry. If the amount over or short is excessive or if a trend develops regarding overages or shortages, the school principal must be advised of this matter by the bookkeeper. The cash register tapes and hand receipts must be retained by the bookkeeper and must be made available for audit. All corrections on the cash register must be made by the student store adviser, who must explain the correction.

Inventories of the student store must be taken at least quarterly under the supervision of the student store adviser on the dates prescribed by the district business office. The inventory must contain a description of each item, the unit of issue, the quantity, the unit price, and the inventory value. The total inventory value must be shown on the last page of the inventory.

Sale of Food Items

As previously noted, the school district governing board may, by resolution, authorize student organizations to sell food, provided that in elementary schools or high schools no food items prepared on the premises are sold by these organizations during the school day (see *Education Code* Section 48931). The *California Administrative Code, Title 5, Education*, states:

> 15500. *Food Sales in Elementary Schools.* (a) Except as provided in subsection (b) and Section 15501, no school providing kindergarten or any of grades one through eight shall permit sale of food by pupil organizations if such

school is participating in the National School Lunch, School Breakfast, or Food Distribution program.

(b) The governing board of a school district or a county superintendent of schools may permit a student organization to sell not more than one food item per sale when all of the following conditions are met:

(1) The specific nutritious food item is approved by the governing board.

(2) The food sales do not begin until after the close of the regularly scheduled midday food service period.

(3) The sales during the regular school day are not of food items prepared on the premises.

(4) There are no more than four such sales per year per school.

(5) The food item sold is a dessert type food, such as pastry, ice cream, or fruit.

(6) The food item sold is not one sold in the food service program at that school during that school day.

15501. *Sales in High Schools and Junior High Schools.* The governing board of any district or a county superintendent of schools maintaining a high school or a junior high school may permit an organization consisting solely of pupils of such school to sell food items during or after the regular school day if the following conditions are met:

(a) The specific nutritious food items are approved by the governing board.

(b) A student organization, or organizations, may be approved to sell food at any time during the school day, including the regularly scheduled food service period(s), as provided in (1) and/or (2):

(1) Only one such organization each school day selling no more than three types of food or beverage items such as confections, popcorn, nuts, fruit, or soft drinks; and/or

(2) Any one or more student organizations may conduct no more than four food sales of any food items during a school year in each school, but such sales shall be held on the same four days for any or all organizations.

(c) The sales during the regular school day are not of food prepared on the premises.

(d) The food items sold during the regular school day are not those sold by the district in the food service program at that school during that school day.

Athletics

A school's athletic program can provide income to the student body through (1) the sale of prenumbered tickets; (2) the receipt of a guaranteed amount from schools visited; (3) the exercise of radio and television rights; (4) the sale of programs; and (5) concessions.

Concessions

The student body organization may negotiate agreements with firms for concession sales of merchandise such as pictures, articles of clothing, and so forth. The income from these sales is considered part of a student body organization's funds.

Paid Entertainments

Entertainments to which admission is charged should be kept to a minimum, and admission charges should be fixed at amounts permitting the maximum number of students to attend.

Publications

Care must be exercised by the student body organization in negotiating contracts for school newspapers, yearbooks, publications, and the like. The selling price of these items must be set so that the maximum number of pupils may benefit from them.

The type of advertising in school publications must be approved by the school principal or his or her designated representative; contracts must be entered into when appropriate; and a billing system must be developed.

Scholarships and Trusts

Scholarship grants and trusts may be accepted by the student council with the approval of the school district governing board or its authorized delegate, usually the school principal. The acceptance, to be made in writing, must include all conditions prescribed by the donor. A statement must also be included regarding the disposition of any balance remaining at the close of the period for which the fund is established. Each scholarship and trust account must be established separately.

Gifts and Grants

Money, material, or equipment may be accepted by the student body organization with the approval of the school district governing board or its authorized delegate, usually the school principal. The items received must have a legitimate use in the school program and must not in any way conflict with it.

Consideration must be given to installation and maintenance costs before acceptance of equipment items. The receipts, use, and disbursement of gifts or grants are subject to the same accountability as are other receipts and disbursements.

Vending Machines

Vending machines are an integral part of the operations of the student body organization and must comply with *Education Code* Section 48931. Directions that can serve to guide vending machine operations are as follows:

Contracts. Vending machine operations must be governed by a contract between the vendor and the student body organization, subject to the approval of the district administration. The contract must spell out details regarding installation, maintenance, quality, quantity, commission rates, and types of food and drink.

In addition, the contract must give the student body the right to audit the records of the vending machine company.

Controls. An adequate system of inventory control must be established. Machines must contain sealed counters, where feasible, as minimum protection. Records capable of being audited must be kept by the party servicing the machines.

Profits from General Activities

A good fiscal policy states that profits made by activities which are supported by the general student body must be considered general student activity revenue and may not later be diverted to the accounts of special groups. This approach will discourage the constant pressure on students, staff, and community to support one student group after another.

Interest Earned

Interest may be earned on checking accounts, savings accounts, certificates of deposit, government bonds, and other investments that meet legal requirements for the investment of student body activity cash. Checking account balances must be reviewed frequently to determine whether excess funds should be invested in higher earning accounts. Interest earned may be prorated to the various student activity accounts or credited as revenue to the student activity fund.

Disbursement of a Student Body Organization's Funds

All disbursements of a student body organization's funds, including club, trust, and scholarship accounts, must be made in accordance with an established system that encompasses sound elements of internal control, good accounting practices, and conformity with regulations prescribed by the school district governing board. (See *Education Code* Section 48933.)

Purchase of Merchandise

Requisitions must be submitted for prior approval of purchases of merchandise or services. Purchase orders must be issued for purchases approved by the student council. Thus, a student body is not obligated to pay for an expenditure ordered by a teacher, student, or other person who has not first received a written purchase order from the person responsible. These orders must be prenumbered and printed in multiple copies for the following uses:

1. Copy for vendor
2. Copy for attachment to invoice
3. Copy for numerical file (Include any voided orders.)
4. Copy for person initiating request
5. Copy for alphabetical file (by vendor)

Other matters to be kept in mind when merchandise is purchased are the following:

1. Payment must be made only after evidence of receipt of the merchandise.
2. Expenditures must be supported by invoices or other acceptable documentation.
3. Disbursements must be made with prenumbered checks.
4. Two signatures must be required on checks.

Contracts

Serious legal questions arise when a student body organization enters into a contract. The principal question is whether a student body organization composed of minors is a competent party. Another question concerns the personal liability of an adult who becomes involved in the negotiations leading to the contract. The law governing contracts is complex and difficult to administer. It is suggested, therefore, that careful and prudent consideration be given to every transaction when the monetary obligation may be beyond the financial ability of the organization to pay. The county counsel must approve all contracts as to form.

The following recommendations are offered in addition to and not in place of existing policies, rules, and regulations covering the disbursement of funds:

1. The recommendation of a school official and the approval of the business manager must be required for all contracts. When the contract expenditure is to exceed an established dollar amount, the approval of the school district governing board must be required.
2. Availability of funds must be ascertained, and sufficient funds must be encumbered to guarantee payment.
3. Construction contracts must be entered into by the school district governing board.
4. Contracts extending beyond the fiscal year must generally be limited. When necessary, however, recommendations 1 and 2 must be observed first.

Sales Tax

This section applies to goods purchased for resale. Under the provisions of the California Sales and Use Tax Law, student body organizations are required to pay sales tax on gross sales for selling tangible personal property at retail. If goods are purchased at retail and a tax is paid for them, the only remaining tax liability is for the difference between the purchase price and the selling price. A student body organization must have a seller's permit separate from the one held by the district office.

Use Tax

The use tax must be paid by the student body organization when items purchased from a retailer are used or consumed by any part of the student body and the tax has not been paid to the retailer at the time of purchase. This liability is usually incurred when goods are purchased from an out-of-state vendor.

Petty Cash Account

The petty cash account may be established to have cash available for making change or for making immediate cash payments of comparatively small amounts. These expenditures must have the same documentation as do other disbursements.

Change Account

A change account is normally established for a period of time, for a specific purpose or activity, and solely for the purpose of making change. When the purpose is completed, the account must be returned for deposit in the bank account. Under no circumstances may expenditures be made from this account.

Clearing Account

The purpose of a clearing account is to set certain financial transactions apart from regular accounts to avoid distorting the general financial condition of the student body organization.

The type of transaction to be placed in this special account is that which must be remitted in the exact amount collected; for example, fees for contracted transportation services. Because this type of account is a wash account, a balance must not exist at the end of the fiscal year.

Inactive, Scholarship, and Trust Accounts

With proper authorization balances of inactive accounts or accounts of classes that have graduated must be transferred to the general surplus of a student body fund. An exception to this requirement occurs if the administration has approved a specific purpose for these funds.

Equipment for a Student Body Organization's Activities

Equipment, as used here, refers to all physical property of a permanent nature, other than land and buildings, and that has the characteristic of movability and is not consumed wholly or partially in its utilization. Examples of equipment are machines, furniture, vehicles, and furnishings that are not integral parts of a building or a building service system. For further information see the latest edition of the *California School Accounting Manual*, which is published by the California State Department of Education.

Purchase of Equipment

All equipment purchases for the student body organization (with student body funds) must be approved by the governing board.

Following governing board policy and administrative regulations, the student body organization is responsible for purchased equipment, including repair, upkeep, and adequate insurance. Accordingly, the student body organization must also (1) set up appropriate accounts for fixed assets in the student organization's accounting system; (2) maintain an inventory record for each item of equipment; and (3) take a physical inventory of all equipment at the end of each school year to determine that all equipment purchased by the organization is on hand.

Equipment Used for Income

The student body organization must be responsible for and must pay for all costs—such as those for repair, maintenance, upkeep, and insurance—that are incurred through the use of equipment by the organization.

Insurance for Student Body Organizations

The responsibility for seeing that the student body organization receives adequate insurance protection rests with the governing board. This responsibility should be delegated to the district business office, which should further assist in determining the types of insurance needed by the student body organization. All of the following types of insurance should, as needed, be included in the district's coverage:

1. *Fire insurance covering physical property purchased by the organization.*
2. *Theft insurance covering the funds and physical assets of the organization.* Theft insurance should be included in the district's all-risk policy and extended coverage policy. The district may negotiate special limits in its policy for the student organization. Because the organization will be handling smaller amounts of money than will the district, lower limits of coverage will be adequate. Also, special higher limits may be included for activities when larger amounts of cash are involved, such as book sales or athletic events.
3. *Workers' compensation covering organization employees.* Workers' compensation is paid by the district. A prorated share of the student body employees' cost should be charged to the organization. This share should be determined by the business office with a recommendation to the governing board. Final approval comes from the governing board.

4. *Fidelity bonding protecting the organization against losses perpetrated by employees or members.*
5. *Liability insurance protecting the organization.* The district's liability policy should be written to include the district's name as insured, plus the statement ". . . and student body organizations under the jurisdiction of the governing board."

In all cases the cost of the insurance for including organization coverage in the district's policies must be estimated and the appropriate amounts paid to the district from organization funds.

Audits of a Student Body Organization's Accounts

The school district governing board is responsible for the auditing of the accounts of student body organizations. The board must provide for a continuing audit through its own internal audit program and must, according to *Education Code* Section 41020, provide for an annual audit by a certified public accountant or a public accountant licensed by the State Board of Accountancy. Auditing is a very important part of good business procedures for a student body organization. The audit must include a study of financial procedures, controls, and conformance to law as well as verification of accounts. The most important function of the audit is to assist the administration so that better procedures and controls may be established to enable the student body organization to operate more effectively.

The extent to which internal auditing is performed by district employees depends primarily on the nature of the student body organization and on the size of the district. When the activities of the organization are quite complex and widely scattered, the use of internal auditors or independent auditors is almost indispensable.

Education Code Section 41020 states in part that "the cost of the audit provided for by a governing board shall be paid from the district funds." Costs of both internal and independent auditing can be reduced by adopting uniform accounting practices throughout the district and by continually improving internal control, accounting practices, organization, and the internal audit program.

Prohibited Solicitations on School Premises

Education Code Section 51520 states: "During school hours, and within one hour before the time of opening and within one hour after the time of closing of school, pupils of the public school shall not be solicited on school premises by teachers or others to subscribe or contribute to the funds of, to become members of, or to work for, any organization not directly under the control of the school authorities, unless the organization is a nonpartisan, charitable organization organized for charitable purposes by an act of Congress or under the laws of the state, the purpose of the solicitation is nonpartisan and charitable, and the solicitation has been approved by the county board of education or by the governing board of the school district in which the school is located.

"Nothing in this section shall be construed as prohibiting the solicitation of pupils of the public school on school premises by pupils of that school for any otherwise lawful purpose."

Fund-raising Projects

51521. No person shall solicit any other person to contribute to any fund or to purchase any item of personal property, upon the representation that the money received is to be used wholly or in part for the benefit of any public school or the student body of any public school, unless such person obtains the prior written approval of either the governing board of the school district in which such solicitation is to be made or the governing board of the school district having jurisdiction over the school or student body represented to be benefited by such solicitation, or the designee of either of such boards.

The prohibitions of this section shall not apply with respect to any solicitation or contribution the total proceeds of which are delivered to a public school, nor to a solicitation of a transfer to be effected by a testamentary act.

Lottery—Games of Chance

The *Penal Code* prohibits lottery, games of chance, and other forms of gambling. *Penal Code* Section 326.5 states that even bingo must be licensed to an adult group, thereby prohibiting student body organizations from being involved in this activity.

Part II
Accounting System for a Student Body Organization's Funds

Part II of this publication contains (1) definitions of important accounting terms and methods of accounting; (2) an explanation of the chart of accounts, including a sample chart of accounts; and (3) guidelines for the internal control of accounting.

Terms Used in Accounting

Important terms commonly used in accounting are the following:

Accounting: The art of recording, classifying, and summarizing financial transactions in monetary units for the purpose of disclosing the results of those transactions.

Accounting cycle: The series of procedures required to process financial transactions throughout a fiscal period. The procedures are listed in chronological order as follows:

1. Recording transactions in books of original entry (journals)
2. Posting to ledger accounts
3. Taking a trial balance of the general ledger and making sure that the subsidiary records are in agreement with their controlling ledger account
4. Making adjustments; for example, for bad debts and inventory
5. Preparing financial statements, which are formal statements that reflect accurately the results of business and the financial position of the enterprise
6. Closing the books

Book of original entry: A book that contains a record of transactions in chronological order, names the accounts to be debited and credited to record each transaction, and states the debit and credit amounts. The recording function is completed by posting the debits and credits shown in the journal to the various accounts in the ledgers.

Credit: The right side of a double-entry posting. The credit reduces assets and expenditures and increases liabilities, revenue, and fund balance.

Debit: The left side of a double-entry posting. The debit increases assets and expenditures and reduces liabilities, revenue, and fund balance.

Journal: Any accounting record in which financial transactions are formally recorded for the first time. Different kinds of journals are defined as follows:

General journal: A journal used primarily for opening, adjusting, accrual, and closing entries; that is, for those transactions of a less routine and frequent nature

Cash disbursements journal: A special journal used for recording all cash disbursements

Cash receipts journal: A special journal used for recording all cash receipts

Combination journal: A journal reflecting both cash receipts and cash disbursement transactions

Ledger: The final book of record in business transactions in which all debits and credits from the journal are posted to appropriate accounts. Each part of every double entry in the journal flows into an account at some point in the ledger. The general ledger accounts for all the assets, liabilities, and elements of equity of an enterprise, including revenues and expenses. The subsidiary ledger merely enlarges on a general ledger account; that is, it provides supporting detail to a general ledger account.

Methods of Accounting

Accounting systems can handle revenues and expenditures on a cash basis or on an accrual basis. These systems can also use centralized or decentralized accounting. These methods of accounting are described as follows:

Cash basis: Method of accounting in which revenue and expenditures are recorded only when cash is actually received or disbursed.

Accrual basis: Method of accounting in which revenue is recorded when earned, even though not collected, and expenditures are recorded when the liabilities are incurred, even if not yet paid.

Modified accrual basis: Method of accounting in which revenues are recorded when they become both "measurable" and "available" to finance expenditures of the current period. Most expenditures are recorded when the related liability is incurred.

Centralized accounting: Method of accounting in which the financial transactions of a student body or-

ganization are handled at a location other than at the individual school. The advocates of centralized accounting contend that it is much more efficient than decentralized accounting in that centralized accounting produces standardized accounting and reporting, improves the elements of internal control, permits the use of machine-accounting equipment, provides improved budgetary controls, allows for the utilization of professional help and supervision, reduces the cost of the external audit, and permits the pooled investment of student body moneys.

Decentralized accounting: Method of accounting in which the financial transactions of a student body organization are handled at the school level. The advocates of this method of accounting contend that the accounting function at the school level is of educational value, that centralization does not respond fast enough to the needs of the student body, that the communications for centralized accounting are too cumbersome, and that in the final analysis the most important function in accounting is that of cash collection, which must be performed at the school level.

Chart of Accounts

A chart of accounts is a systematically arranged listing of accounts that is applicable to a specific concern. All account names and numbers, if any, are listed in order. A sample chart of accounts is shown on page 14, and each of the accounts is described below. However, the numbers shown are merely suggested.

Current Assets

Current assets are available or can be made readily available to meet the cost of operations or to pay current liabilities. These assets are categorized as follows:

101 Petty cash: A sum of money set aside for the purpose of making change or immediate payments of small amounts for which reimbursement is subsequently made.

102 Cash in bank, checking: Deposits and disbursements of cash necessary to meet current demands.

103 Cash in bank, savings: Funds deposited to earn interest.

104 Cash collections awaiting deposit: Receipts which have not yet been deposited in a bank account.

105 Change acount: A sum of cash held for making change available for daily activities.

106 Accounts receivable: Amounts due from various sources, including amounts billed but not received.

107 Prepaid expenditures: Amounts of payments made in advance of the receipt and utilization of services. Prepaid insurance premiums are illustrative. That portion of the premium paid in advance for coverage beyond the current fiscal year may be charged to prepaid expenditures. Adjustments to this account in the succeeding fiscal years apportion the premium over the period covered.

108 Investments: Securities, certificates of deposit, savings bonds, or other cash investments held for varying periods of time.

109 Inventory: Value of sale supplies on hand, including books, candy, stationery, and the like.

110 Other current assets: Other items available to meet the cost of operating or to pay current liabilities.

Fixed Assets

Fixed assets are assets of a permanent character having continuing value. They are categorized as follows:

111 Land
112 Buildings
113 Equipment

Current Liabilities

Current liabilities are amounts due and payable for goods and services. The amounts should be payable within a relatively short period of time, usually for no longer than a year, and are categorized as follows:

201 Accounts payable: Unpaid balances or invoices that are due and payable

202 Wages payable: Salaries or wages that are due and payable to all employees

203 Federal income tax payable

204 State income tax payable

205 Social Security tax payable

206 Health and welfare payable

207 Unemployment insurance payable

208 Workers' compensation insurance payable

209 Sales and use tax payable: Taxes collected on sale of supplies and tickets and taxes due on tax-free purchases as from out-of-state vendors

Trust Accounts

Trust accounts are sums of money held by the student body organization as trustee. These accounts are categorized as follows:

210 Scholarship accounts: Collections and disbursements of funds donated specifically for scholarship awards

220 Class accounts: Collections and disbursements of funds for class activities

230 Club accounts: Collections and disbursements of funds for club activities

260 Other trust accounts

Other Liabilities

Other liabilities incurred by the student body organization are categorized as follows:

270 Deferred revenue: Revenue received in a given period, but unearned, which is set up as a liability to be included as revenue in subsequent periods

280 Clearing: Recording the collection and disbursement of funds not pertinent to student body operations

Other Accounts

290 Fund balance (reserve): Excess of assets over liabilities

Revenue

Student body organizations receive revenue from many sources. These sources are categorized as follows:

301 Student body fees: Receipts from students for membership in the general student body organization

302 Store sales: Receipts from sales of supplies, candy, and other merchandise sold in the student store

310 Athletic events: Receipts from admissions, concessions, league agreements, tournament fees, and California Interscholastic Federation insurance and/or fees, all of which may be separated into required subaccounts

320 Publications: Receipts from advertising, subscriptions, or photographs in the school annual or school newspaper

330 Social activities: Receipts from dances, parties, the senior play, motion pictures, talent shows, and the like promoted or sponsored by student organizations

341 Vending machines: Receipts from commissions or rebates from sales through vending machines owned or leased by the student body organization

342 Interest earned: Interest earnings on investments or on savings and checking accounts in banks or savings and loan associations

343 Donations: Gifts to the student body organization from persons or organizations

344 Special events: Receipts from special productions such as plays, art exhibits, handicraft displays, and the like

345 Printing: Receipts from student body organization printing services rendered to others

390 Other: Receipts from miscellaneous items such as salvage drives, insurance rebates, gown rental profits, and so forth, which may be recorded as miscellaneous if the total is relatively small

Expenditures

Expenditures of student body organization funds are categorized as follows:

401 Store purchases: Net cost of merchandise to be sold through the student store

402 Store wages: Salaries or wages paid to persons hired to help in the operation of the student store

403 Store supplies: Cost of stationery and supplies necessary to carry out sales and other functions of a student store's operation

407 Cost of sales: A summary of accounts 401, 402, and 403

410 Athletic events: Expenditures for such items as athletic supplies, payments to officials, league dues, programs, insurance awards, and the like, which may be broken down into necessary subaccounts as required

420 School newspaper: Cost of printing and distributing the student newspaper or other school publications

430 Social activities: Expenses required for the production and promotion of various dances, banquets, or events, including tickets, programs, awards, entertainment, and the like

441 Vending machines: Rental fee or cost of supplies that are dispensed through vending machines

442 Student body organization (ASB) wages: Salaries and wages paid to student body organization employees other than those working in the student store

443 Student body organization (ASB) supplies: Office supplies for the daily operation of student body organization affairs

444 Utilities: Gas, electricity, telephone, and water bills paid by the student body organization

445 Printing: Paper, ink, and other supplies used in student body organization printing; amounts paid to outside firms for printing

490 Other: Miscellaneous general expenses chargeable to the student body organization but not readily allocated to a specific category

Sample Chart of Accounts

Current Assets
101 Petty cash
102 Cash in bank, checking
103 Cash in bank, savings
104 Cash collections awaiting deposit
105 Change account
106 Accounts receivable
  106.1 Commerical organizations
  106.2 School districts
  106.3 Student body members
  106.4 Other
107 Prepaid expenditures
108 Investments (certificates of deposit, savings bonds, and the like)
109 Inventory (stationery, supplies, books, candy, and so forth)
110 Other current assets

Fixed Assets
111 Land
112 Buildings
113 Equipment

Current Liabilities
201 Accounts payable
  201.1 Commerical organizations
  201.2 School districts
  201.3 Student body members
202 Wages payable
203 Federal income tax payable
204 State income tax payable
205 Social Security tax payable
206 Health and Welfare payable
207 Unemployment insurance payable
208 Workers' compensation insurance payable
209 Sales and use tax payable

Trust Accounts
210 Scholarship accounts
  210.1
220 Class accounts
  220.1
230 Club accounts
  230.1
260 Other trust accounts

Other Liabilities
270 Deferred revenue
280 Clearing

Other Accounts
290 Fund balance—(reserve) (excess of assets over liabilities)

Revenue
301 Student body fees
302 Store sales
310 Athletic events
  310.1 Admissions
  310.2 Concessions
  310.3 Agreements
  310.4 Tournaments
  310.5 California Interscholastic Federation
320 Publications
330 Social activities
341 Vending machines
342 Interest earned
343 Donations
344 Special events (in drama, art, and so forth)
345 Printing
390 Other

Expenditures
401 Store purchases
402 Store wages
403 Store supplies
407 Cost of sales (summary account)
410 Athletic events
  410.1 Officials
  410.2 Supervision
  410.3 Scouting
  410.4 Awards
  410.5 Dues and entry fees
  410.6 Banquets
  410.7 Filming
420 School newspaper
430 Social activities
441 Vending machines
442 Associated student body wages
443 Associated student body supplies
444 Utilities
445 Printing
490 Other

Guidelines for Internal Control of Accounting

To safeguard and to preserve assets, protect against improper fund disbursements, and offer assurance that unauthorized obligations cannot be incurred, it is necessary to subject the accounting system of a student body organization to internal control. In general, internal control of accounting refers to well-planned bookkeeping and accounting records, the proper supervision of fiscal activities, and the segregation of duties.

In any system of internal control of accounting, the personnel involved must be segregated according to their functions into (1) those who initiate or authorize transactions; (2) those who execute the transactions; and (3) those who have the responsibility for the item resulting from the transaction.

From the brief discussion of internal control, it becomes readily apparent that few student body financial entities are able to operate under an ideal internal control structure. Therefore, it seems incumbent on management, which is responsible for internal control, to develop techniques to offset any weakness. One such device is the periodic internal control audit. This audit may be conducted by members of the school district staff or by an outside auditing firm, the results being reported to top-level school district management.

A sample questionnaire that could be used for the internal control of accounting is presented on the next page. Also, the California State Department of Finance prepared the following suggestions for auditing student body funds:

> Student body funds may be used to conduct activities on behalf of the students with approval of school authorities and not in conflict with the authority and responsibility of the public school officials.
>
> A frequent audit difficulty of student body organization accounting is weak internal controls. Expanded audit procedures may be necessary to compensate for the control weakness. Otherwise the independent accountant may have to modify his or her opinion regarding the student body organization's financial statements. In this event, the independent accountant should provide management with management improvement recommendations to upgrade the student body organization's internal controls.
>
> *Audit Procedures*
>
> Are the student body financial transactions accurately recorded in the financial records of the student body?
>
> Illustrative audit test:
>
> A. Review the student body accounting records and system for adequacy of internal control and conformity with generally accepted accounting principles.
> B. Read the minutes of the meetings and note matters pertaining to the audit.
> C. Determine that the governing board of the district has established and adopted rules and regulations by which the student body is governed.
> D. Apply the account balance audit procedures on a selected basis to verify student body fund assets, liabilities, revenues, expenditures, and equity.
> E. Determine that the activities were approved by the student body governing board and were directed to the interests of the student body and related clubs and organizations.
> F. Account for student body cards, admission tickets, or other items that have a fixed price. Reconcile the recorded receipts with the value of the items issued.
> G. Determine that where several activities are conducted, receipts are credited to the proper account. Check for the commingling of funds.
> H. If the student body operates a cafeteria, canteen, book store, or vending machines, verify revenue and expenditures by appropriate means. Test quantities, pricing, extensions, and footings of ending inventory of merchandise and supplies.
> I. Verify that the loans to students from loan funds were made in accordance with the trust and controlled to ensure repayment.
> J. Determine that trust funds (i.e., funds set aside for scholarships, club activities, class activities, and other student-related activities) will not be used to finance general student body activities.
> K. Determine whether there is a definite statement of policy which permits a clear distinction of revenue and expenditures between student body and district funds and whether this policy is being adhered to.
> L. Determine that student funds are not used for paying expenses due properly chargeable to the district.

Date of audit | *Name of school* | *Person auditing*

Questionnaire on Internal Control of Accounting

	Yes	*No*
Cash Receipts		
1. Are records maintained of all receipt books and other numbered forms used in acknowledging the receipt of cash?	—	—
2. Are all copies of voided receipts retained?	—	—
3. Are issuances of receipt books listing sheets and subreceipt books to individuals and activities properly recorded and controlled?	—	—
4. Is cash turned in by individuals and activities identified with the numbered receipts acknowledging initial receipt of the moneys?	—	—
5. Are all cash receipts recorded promptly when received?	—	—
6. Are details as to the number of items receipted and the unit price per item included in the receipt?	—	—
7. Are cash deposits made promptly, and are they intact?	—	—
8. Are personal checks prohibited if cashed from associated student body funds?	—	—
9. Are cash receipts from student fund-raising activities turned in promptly?	—	—
10. Are commissions from vending machine sales received promptly when due?	—	—
11. Is the cash over/short account properly used, and are the controls imposed by the school district observed?	—	—
Cash Disbursements		
1. Are cash balances reconciled with bank balances monthly, and are detailed items listed on bank statements recorded on the books?	—	—
2. Are voided checks retained?	—	—
3. Are expenditures approved by the student council and the proper three persons: the adviser together with student and governing board representatives?	—	—
4. Are cash expenditures supported by a vendor's invoice, a notation indicating receipt of materials or services, and authenticated purchase orders if required?	—	—
5. Are disbursements by check properly signed, and are they in agreement with the information recorded in the journal?	—	—
6. Are authorized expenditures for which no disbursement has been made reviewed for current status?	—	—
7. Are disbursements from petty cash properly supported by vouchers or receipts?	—	—
8. Is the distribution of cash expenditures being correctly charged to the proper accounts?	—	—
Sales and Activities		
1. Are revenue-producing activities in accordance with those approved by the school district?	—	—
2. Is adequate control exercised by supervisory personnel over student fund-raising activities to ensure that such activities are in keeping with the intent of the program?	—	—
3. Is control of associated student body card sales maintained, including the number of cards issued and the beginning and ending numbers of the cards sold?	—	—

Continued.

	Yes	No
4. Is prenumbered stationery printed by an outside firm?	—	—
5. Are all activities properly approved by the school principal or a designated representative, and are they endorsed by the student council?	—	—
6. Are all records of sales such as receipt books and register tapes reconciled to the cashier's receipt for moneys received?	—	—
7. Are student store inventories reviewed periodically to determine propriety as to character and quantities?	—	—
8. Are the profit and loss statements for the student store reviewed periodically?	—	—
9. Are all billings by the student body collected within a reasonable time?	—	—
10. Are complete minutes of the student council meetings prepared on a timely basis? Do the minutes properly reflect approval of sale and activities?	—	—
Purchases		
1. Are items of purchase in accordance with the intentions of the student program, and are they reflected in the minutes?	—	—
2. Are associated student body moneys spent to enhance the welfare of the general student body and not a particular group?	—	—
3. Are approved purchase orders, whether voided or not, maintained numerically in a file?	—	—
4. Are contractual obligations properly authorized, and are they kept within established limits?	—	—
5. Is the purchase of equipment properly recorded in the equipment account to afford control and inventory?	—	—
6. Are proper controls exercised to prevent expenditures in excess of funds available for a particular activity?	—	—
7. Are timely payments made on all purchases on account?	—	—
Financial Statements		
1. Are monthly reports of financial transactions of various trust and club accounts prepared and submitted to the school principal and other appropriate officials and students?	—	—
2. Are periodic financial statements of budgeted and actual revenues and expenditures prepared and submitted to appropriate management?	—	—
3. Is an annual budget adopted by the student governing body?	—	—
4. Is a formal balance sheet prepared at least at the end of the year?	—	—
5. Are the funds and annual financial report of the student organization audited annually by an independent auditor?	—	—
Reconciliations		
Are bank accounts reconciled monthly?	—	—

Note: A "No" answer might indicate a weakness of the internal controls. The auditor needs to determine if it is material, write up the finding, and provide a recommendation to the district. The district will determine whether to implement the recommendation.

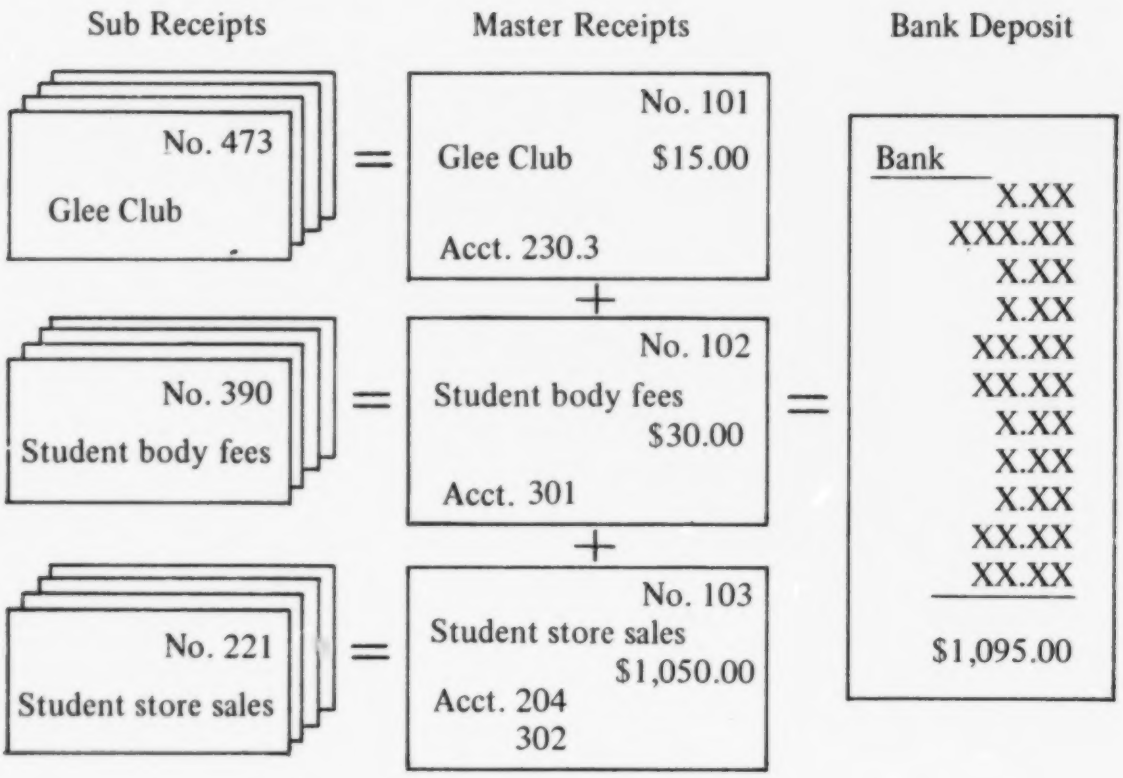
Appendix A
Journals

GENERAL JOURNAL

Date	Account title and explanation	Post ref.	Debit	Credit
19__				
Sept. 1	Petty cash	101	$25.00	
	Cash in bank, checking	102	3,025.00	
	Cash in bank, savings	103	1,000.00	
	Accounts receivable	106.3	250.00	
	Stores inventory	109	1,500.00	
	Equipment	113	450.00	
	Scholarship fund	210.1		$200.00
	Class of 19__	220.1		100.00
	Class of 19__	220.2		600.00
	Class of 19__	220.3		100.00
	Athletic Club	230.1		350.00
	Latin Club	230.2		150.00
	Glee Club	230.3		700.00
	Students' League	230.4		200.00
	Fund balance	290		3,850.00
	To open accounts as of Sept. 1, 19__			
Sept. 30	Accounts receivable – commercial	106.1	300.00	
	Athletics – agreements	310.3		300.00
	To record share of admission sales at football game of Sept. 29, 19__			
Sept. 30	Store purchases	401	750.00	
	Accounts payable – commercial	201.1		750.00
	To record unpaid invoices as of Sept. 30, 19__			
Sept. 30	Student store – cost of sales	407	905.00	
	Store purchases	401		905.00
	To close store purchases account			
Sept. 30	Stores inventory	109	185.00	
	Student store – cost of sales	407		185.00
	To adjust stores inventory to physical count as of Sept. 30, 19__			

CASH RECEIPTS JOURNAL

Sources of Journal Entries



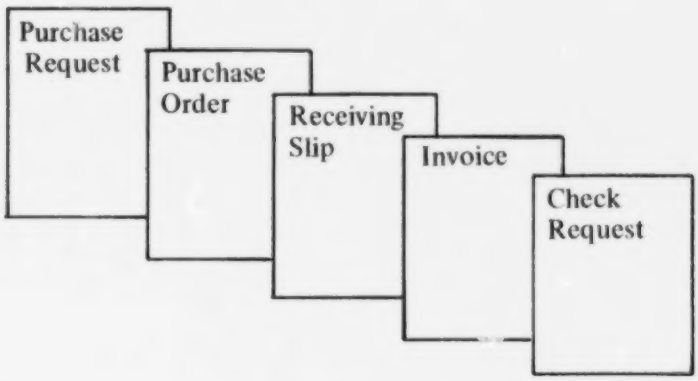
Journal Entries

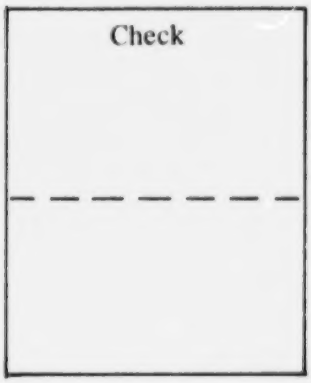
Cash Receipts Journal

			Debit	Credit						
Date	Description	Rec. no.	Cash	301	302	303	304	305.1	Other	Acct no.
9-2	Glee Club	101	15.00						15.00	230.3
9-2	Student body fees	102	30.00	30.00						
9-2	Student store sales	103	1,050.00		1,000.00				50.00	204
	Total		1,095.00	30.00	1,000.00				65.00	

CASH DISBURSEMENTS JOURNAL

Sources of Journal Entries





Journal Entries

Cash Disbursements Journal										
			Debit	Credit						
Date	Description	Check no.	Cash	401	402	403	404	410.1	Other	Acct no.
9-2	Harmony Music Co.	731	50.00						50.00	230.3
9-3	Stationers Corp.	732	135.00	130.00		5.00				
9-5	Howard Smith	733	15.00					15.00		
9-6	Sports Shops, Inc.	734	25.00	25.00						
9-6	Ray Johnson	735	15.00					15.00		
9-7	Jack Jones	736	15.00					15.00		
	Total		255.00	155.00		5.00		45.00	50.00	

Appendix B
Ledger Accounts

Cash in Bank, Checking

102

Date	Reference	Amount debit	Amount credit	Balance
9-1	J.E.	3,025.00		3,025.00
9-30	C.R. 1	1,095.00		4,120.00
9-30	C.D. 1		255.00	3,865.00

Store Inventory

109

Date	Reference	Amount debit	Amount credit	Balance
9-1	J.E.	1,500.00		1,500.00
9-30	J.E.	185.00		1,685.00

Accounts Payable
Commercial Organizations

201.1

Date	Reference	Amount debit	Amount credit	Balance
9-30	J.E.		750.00	750.00 cr

Glee Club

230.3

Date	Reference	Amount debit	Amount credit	Balance
9-1	J.E.		700.00	700.00 cr
9-30	C.R. 1		15.00	715.00 cr
9-30	C.D. 1	50.00		665.00 cr

Student Store Sales

302

Date	Reference	Amount debit	Amount credit	Balance
9-30	C.R. 1		1,000.00	1,000.00 cr

Athletic Agreements

310.3

Date	Reference	Amount debit	Amount credit	Balance
9-30	J.E.		300.00	300.00 cr

Store Purchases

401

Date	Reference	Amount debit	Amount credit	Balance
9-30	C.D. 1	155.00		155.00
9-30	J.E.	750.00		905.00
9-30	J.E.		905.00	-0-

Student Store – Cost of Sales

407

Date	Reference	Amount debit	Amount credit	Balance
9-30	J.E.	905.00		905.00
9-30	J.E.		185.00	720.00

Appendix C – End-of-Month Working Papers

Associated Student Body Fund Working Papers
For the Month of September, 19—

	Acct. no.		Classification	1 Trial Balance Dr.	2 Trial Balance Cr.	3 Adjustments Dr.	4 Adjustments Cr.	5 Student store operations Dr.	6 Student store operations Cr.	7 ASB General operations Dr.	8 ASB General operations Cr.	9 Balance sheet Dr.	10 Balance sheet Cr.
1	101		Petty cash	25 00								25 00	
2	102		Cash in bank, checking	386 50 00								386 50 00	
3	103		Cash in bank, savings	1000 00								1000 00	
4	106	1	Accts. rec. – commercial			(A) 300 00						300 00	
5	106	3	Accts. rec. – members	250 00								250 00	
6	109		Stores inventory	1500 00		(D) 185 00						1685 00	
7	113		Equipment	450 00								450 00	
8	201	1	Accts. pay. – commercial				(B) 750 00						750 00
9	204		Sales and use tax payable		50 00								50 00
10	210	1	Scholarship fund		200 00								200 00
11	220	1	Class of 19__		100 00								100 00
12	220	2	Class of 19__		600 00								600 00
13	220	3	Class of 19__		100 00								100 00
14	230	1	Athletic Club		350 00								350 00
15	230	2	Latin Club		150 00								150 00
16	230	3	Glee Club		665 00								665 00
17	230	4	Students' League		200 00								200 00
18	290		Fund balance – July 1		3850 00								3850 00
19	302		Student store sales		1000 00				1000 00				
20	303		Student body fees		300						300		
21	310	1	Athletic – agreements				(A) 300 00				300 00		
22	401		Store purchases	155 00		(B) 750 00	(C) 905 00						
23	403		Store supplies	5 00				5 00					
24	410	1	Athletic officials	45 00						45 00			
25				7295 00	7295 00								
26	407		Student store – cost of sales			(C) 905 00	(D) 185 00	720 00					
27						2140 00	2140 00						
28			Net income					275 00		285 00			560 00
29								1000 00	1000 00	330 00	330 00	7575 00	7575 00
30			(A) To record accounts receivable										
31			(B) To record accounts payable										
32			(C) To close stores purchases account										
			(D) To adjust stores inventory										

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XYZ School District
Vending Machine Control Sheet
For Month of _____, 19__

Line 1 Physical inventory at beginning of month (units: pencils, cans, bottles, and so on) = _____ units

Purchases during month:

Invoice number	*Date*	*Price*	*Units purchased*
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

= _____ units

Line 2 Total inventory available for sale: = _____ units

Line 3 Less physical inventory at end of month = _____ units

Line 4 Total sales for month = _____ units

Line 5 Amount to be deposited with bookkeeper (number of units sold times unit price of ____) = $ _____

Income for Month

Receipt number	*Date*	*Amount*	*Receipt number*	*Date*	*Amount*
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Line 6

Income from sales = $ _____
Rebate income for month + $ _____
Total income for month = $ _____

If lines 5 and 6 do not agree, please explain. _____

_____

_____

If line 6 is more than line 5, amount over = _____

If line 6 is less than line 5, amount less = _____

Signed _____

School _____

(Please make a copy for the school bookkeeper.)

Appendix D

Financial Statements

Associated Student Body
Balance Sheet
September 30, 19__

Assets

Current Assets			
Cash in Bank, checking	$3,865.00		
Cash in Bank, savings	1,000.00		
Petty cash	25.00		
Total cash		$4,890.00	
Accounts receivable – commercial		300.00	
Accounts receivable – student members		250.00	
Stores inventory		1,685.00	
Total current assets			$7,125.00
Fixed Assets			
Equipment		450.00	
Total fixed assets			450.00
Total Assets			*$7,575.00*

Liabilities and Capital

Current Liabilities			
Accounts payable – commercial		750.00	
Sales and use tax payable		50.00	
Total current liabilities			800.00
Trust Accounts			2,365.00
Capital			
Fund balance 9-1		3,850.00	
Year to date net gain		560.00	
Fund balance 9-30			4,410.00
Total liabilities and capital			*$7,575.00*

Statement of Cash Available

Total cash		4,890.00	
Less: Trust accounts	2,365.00		
Purchase orders outstanding	1,200.00	3,565.00	
Total cash available, Sept. 30		*$1,325.00*	

27

Associated Student Body
Statement of Income and Expenditures
July 1, 19__ to Sept. 30, 19__

			Percentage
Student store sales		$1,000.00	100.0
Less cost of sales			
Beginning inventory 9-1	1,500.00		
Purchases	905.00		
	2,405.00		
Less ending inventory 9-30	1,685.00		
Cost of sales		720.00	72.0
Gross profit		280.00	28.0
Student store expense:			
Supplies		5.00	
Student store net gain		*275.00*	*27.5*
ASB general activity			
Income	330.00		
Expense	45.00	285.00	
Total net gain		*$560.00*	

33

Student Body Account—XYZ Senior High School
Statement of Student Club Trust Accounts
July 1, 19__ to June 30, 19__

Student club trust accounts	*Balance July 1, 19__*	*Revenue and transfers in*	*Expenditures and transfers out*	*Balance June 30, 19__*
Scholarship accounts:	$	$	$	$
Slater Memorial Fund	105.00		79.43	25.57
Class accounts:*				
Class of 19—	1,465.57	—	1,465.57	-0-
Class of 19—	4,004.24	17,175.93	20,898.85	281.32
Class of 19—	913.29	6,825.24	4,143.84	3,594.69
Class of 19—	1,461.32	4,320.05	2,932.93	2,848.44
Class of 19—	500.00	378.40	204.95	673.45
Accounts under control of ASB:				
Hallcase Improvement Fund	3,300.00	-0-	3,196.92	103.08
Marquee Sign Fund	2,800.00	-0-	2,800.00	-0-
Vail Memorial Fund	2,500.00	-0-	2,500.00	-0-
Vail Improvement Fund	2,500.00	13,852.34	16,352.34	-0-
Production Account	1,674.23	2.88	1,390.42	286.69
Senior Prom Account	4,342.58	142.46	1,985.04	2,500.00
Club accounts:				
Adelphians	61.07	-0-	-0-	61.07
Armenian Club	21.50	106.00	34.84	92.66
Aero Modeling Club	14.00	-0-	14.00	-0-
American Field Service	26.19	98.74	170.00	(45.07)
Art Design Club	9.90	96.95	35.00	71.85
Asians Come Together	65.76	280.93	179.61	167.08
Black Student Union	454.16	1,195.57	1,455.75	193.98
Chess Club	7.49	32.00	-0-	39.49
Coin and Stamp Club	5.95	3.32	9.27	-0-
Conservation Club	34.14	8.95	45.00	(1.91)
Drama Club	124.49	80.00	90.00	114.49
Excel	-0-	47.40	47.40	-0-
Fishing Club	29.15	2.00	31.15	-0-
Folk Dance	20.20	-0-	20.20	-0-
French Club	(5.86)	70.00	50.00	14.14
Future Business Leaders of America	155.92	62.50	45.00	173.42
German Club	29.42	52.88	55.00	27.30
Gymnastics Club	159.79	358.47	279.21	239.05
Interact Club	92.96	532.80	550.47	75.29
Key Club	35.51	1,337.43	1,337.73	35.21
Cal-Neva-Key	279.19	30.00	256.73	52.46
Balance carried forward	$27,187.16	$47,093.24	$62,656.65	$11,623.75

*Generally, funds should <u>not</u> be kept for classes no longer in school; for example, a fifth year class reunion. Specific exceptions may be possible; therefore the local auditor and/or California State Department of Education should be consulted.

Name of report: **Student Body Financial Statement**

Recommended frequency of report: Monthly or quarterly

Description of report: This report presents the financial position of all student body organizations in the district on the date of the report.

Suggested uses:

By: Governing board members and the community

Purpose: To inform the governing board members and the community of the financial position of the student body organizations for which the board is responsible

This report is also appropriate for the business manager and/or controller for monitoring the financial activities of the student body organizations.

Sample School District
Student Body Financial Statement:
Combined Student Bodies
As of March 31, 19 __

Assets	*Junior high school*		*High school*		*Adult school*	
Cash in bank	$ 4,056.31		$ 8,959.58		$ 6,193.94	
Cash in savings and loan	9,007.81		36,814.04		8,389.10	
Inventory			3,964.91			
Change fund					50.00	
Accounts receivable	1,710.00					
Total, assets		$14,774.12		$49,738.53		$14,633.04
Current liabilities						
Trust account balances			3,934.65			
Sales tax liability					4,669.06	
Total, liabilities				$ 3,934.65		$ 4,669.06
Surplus						
Balance (7/1/__)	10,843.66		31,050.02		11,025.30	
Adjustments:						
ASB activity	1,786.57		(3,364.48)		(1,061.32)	
Student clubs	2,143.89		15,888.25			
Student store			2,230.09			
Adjusted balance (3/31/__)		$14,774.12		$45,803.88		$ 9,963.98
Total, liabilities and surplus		$14,774.12		$49,738.53		$14,633.04

Name of report: **Student Body Budget Report**

Recommended frequency of report: Monthly or quarterly

Description of report: This report shows the current year budget, actual amounts received or expended to date, and revised estimates of receipts and expenditures for the entire year. Separate reports are prepared for each school with a student body association.

Suggested uses:

By: Governing board members and the community

Purpose: To inform the governing board members, the community, and the administration of current year operations

This report is also appropriate for use by the superintendent and the cabinet as well as the business manager and/or controller. This report is also useful to site managers in modifying activities if financial circumstances change.

Sample School District
XYZ High School
Budget Report for Quarter Ending
March 31, 19___

Income

Account title	*Budget amount*	*Actual amount*	*Revised estimate*
Basketball	$ 2,250.00	$ 3,028.55	$ 3,029.00
Basketball tournament	1,200.00	983.73	1,468.00
Cap and gown rental	2,500.00	781.00	2,500.00
Cash over		25.00	25.00
Coke sales	7,000.00	6,183.75	7,000.00
Dance performances	500.00	-0-	500.00
Drama	500.00	-0-	500.00
Football	14,000.00	16,994.13	16,994.00
Journalism	250.00	-0-	250.00
Major fund-raising activities	5,000.00	-0-	-0-
Membership cards	5,000.00	4,404.50	4,500.00
Miscellaneous	1,500.00	2,697.86	3,000.00
Miscellaneous, transportation	150.00	60.00	150.00
Music Department–Vocal	500.00	-0-	-0-
Outside organization testing	300.00	565.00	565.00
Social activities	2,000.00	2,353.85	2,354.00
Speech and Debate Society	4,750.00	3,218.80	3,500.00
Student store	2,850.00	2,437.98	2,650.00
Swimming	100.00	-0-	-0-
Water polo	100.00	82.25	82.00
Yearbooks	13,000.00	10,460.00	13,000.00
Total, income	$63,450.00	$54,276.40	$62,067.00

Sample School District
XYZ High School
Budget Report for Quarter Ending
March 31, 19__

Expense

Account title	*Budget amount*	*Actual amount*	*Revised estimate*
Assembly program	$ 500.00	$ 345.00	$ 345.00
Awards	2,500.00	1,294.97	2,500.00
Baseball	1,560.00	1,155.42	2,000.00
Basketball	2,475.00	2,087.77	2,088.00
Basketball tournament	1,000.00	1,450.39	1,450.00
Cap and gown rental	2,500.00	-0-	2,500.00
Coke sales	5,000.00	5,179.18	5,500.00
Drama	400.00	27.00	400.00
Dues and fees–miscellaneous	800.00	566.64	800.00
Football	9,000.00	9,137.02	9,137.00
Girls' basketball	550.00	1,013.69	1,014.00
Girls' softball	425.00	240.00	775.00
Girls' volleyball	750.00	260.00	490.00
Golf	515.00	242.39	515.00
Miscellaneous	1,500.00	1,696.07	2,500.00
Publicity	300.00	307.98	350.00
Rally committee	600.00	799.82	1,000.00
Social activities	1,500.00	2,147.95	2,148.00
Speech and Debate Society	4,650.00	3,182.12	3,400.00
Student store	2,750.00	1,731.78	2,500.00
Swimming	545.00	560.50	561.00
Tennis	580.00	561.57	580.00
Track	1,225.00	212.00	1,225.00
Water polo	830.00	797.21	798.00
Yearbooks	12,500.00	2,805.14	12,500.00
Total, expense	$54,955.00	$37,801.61	$57,076.00

Name of report: **Student Body Monthly Trial Balance**

Recommended frequency of report: Monthly

Description of report: This report presents month-end balances of each account and the detail of all activity during the month in each account. The final page included in this report represents a sample detail page. A separate page is provided for each account. These pages show all the receipts, disbursements, and journal vouchers written during the month.

Suggested uses:

By: Site managers

Purpose: To inform principals, student body advisers, and student body officers of the financial status of student body accounts

This report is also appropriate for use by the business manager and/or controller.

Sample School District
Student Body Monthly Trial Balance
XYZ High School
March 31, 19__

Account title	*Debit*	*Credit*
Cash in bank, student body funds	$12,865.23	
Cash in bank, trust accounts	9,620.58	
Cash in bank, savings	5,000.00	
Change funds	140.00	
Accounts receivable	897.05	
Inventory supplies	5,239.44	
Equipment	1,467.91	
Accounts payable		$ 24.91
Prior-year expense	717.22	
Prior-year income		327.80
Reserve for equipment		1,467.91
Working capital net		11,785.31
Cap and gown rental income		1,688.50
Coke sales income		6,428.95
Student store sales		2,544.49
Yearbook sales		11,811.75
Basketball income		2,372.55
Cross-country income		6.25
Football income		16,994.13
Membership card sales		4,404.50
Swim income		586.50
Water polo income		82.25
Miscellanous income		475.97
Awards expense	1,431.06	
Coke purchases	5,051.08	
Student store purchases	1,775.88	
Yearbook expense	2,805.14	
Baseball expense	1,645.42	
Basketball expense	2,182.27	
Cross-country expense	219.13	
Football expense	9,137.02	
Publicity expense	365.34	
Swimming expense	560.50	

Account title	*Debit*	*Credit*
Tennis expense	561.57	
Track expense	262.00	
Water polo expense	797.21	
Miscellaneous expense	213.01	
California Scholarship Federation Club		43.00
Class of 19___		211.82
Class of 19___		140.47
Drill Team Club		39.74
Exchange student		44.93
Forensic Club		297.35
Key Club		748.83
Lettergirls' Club		815.57
Lettermen's Club		128.97
Music Club (vocal)		342.17
Pep Club		39.44
Total	$63,854.06	$63,854.06

Appendix E

Bank Reconciliations*

XYZ School District
Bank Reconciliation
for the Month of _____

Balance, per ledger (10/1/__)	$ 928.73
Plus receipts	512.70
Less expenditures	(1,211.68)
Balance, per ledger (10/31/__)	229.75
Plus outstanding checks	
4283 37.47	
4299 1,055.00	
4300 18.02	1,110.49
Less deposit in transit	(265.70)
Balance, per bank statement (10/31/__)	$1,074.54

*Bank statements should be reconciled as soon as they are received from the bank. Bank charges and credits to be charged or credited to the books should be entered prior to reconciliation.

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